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FM AMEMBASSY MEXICO

TO RUEHC/SECSTATE WASHDC PRIORITY 4877

INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY

RUEHCV/AMEMBASSY CARACAS PRIORITY 1240

RUEHOT/AMEMBASSY OTTAWA PRIORITY 2268

RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY

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UNCLAS SECTION 01 OF 02 MEXICO 000149

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SUBJECT: MEXICO'S NEW TRADE CZAR - BEATRIZ LEYCEGUI

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1. (SBU) The Secretariat of Economy's new Sub-Secretary for International Trade Negotiations, Beatriz Leycegui, is a seasoned trade hand (she was a Mexican NAFTA negotiator and has since worked in the private sector as a trade lawyer and consultant) and committed to maintaining good commercial relations with the United States and deepening NAFTA. During the initial courtesy call paid by Embassy's Ag, Commercial, and Econ sections, she asserted that the U.S., as Mexico's most important trading partner, would be her top priority, as demonstrated by the fact that her first official overseas trip had been to Washington, D.C. She promised to work closely with the Embassy on all the issues in her portfolio, and seemed ready to help make successful the upcoming visits of Commerce Secretary Gutierrez (February 1) and Agriculture Secretary Johanns (tentatively scheduled for February), as

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well as the Western Hemisphere Conference on Competitiveness to be held in June in Atlanta.

Mexico Complies With Its Obligations, Expects Same From US

2. (SBU) Leycegui pointed out that the first major task she handled upon assuming her current position was ensuring that Mexico's Congress amended the law governing the country's anti-dumping regime and eliminated the 20 percent tax on beverages sweetened with anything other than cane sugar, both changes mandated by WTO rulings in favor of aggrieved U.S. exporters. She also asserted that Mexico would fully comply with its NAFTA obligation to open up its corn and bean markets at the start of next year. She said this move made economic sense, but would require deft political handling. She agreed that our two governments need to come up with a public relations strategy for presenting it in the most favorable light possible. She then pointed out that Mexico expects the U.S. to keep up its side of the bargain as well, referring to the cross-border trucking issue and discussion of it during her January 4 meeting in Washington with Department of Transportation Under Secretary Jeff Shane. One

of her deputies, Director-General for Negotiations Ken Smith Ramos, pointed out that an early resolution of this issue would be a major victory for the Calderon Administration in refuting the arguments of Mexico's NAFTA critics, but noted that likely opponents back in the U.S. were already mobilizing.

Outstanding Trade Issues Raised with Deputies

13. (SBU) Leycegui had to depart early for another meeting, but Smith and fellow Director-General (for Trade Policy) Jose Saenz stayed on to discuss specific issues. Neither Smith nor Saenz, both holdovers from the Fox Administration, had seen the letters written by Treasury Deputy Secretary Kimmitt and U.S. Trade Rep Schwab late last year to their respective Fox Administration counterparts regarding the Fireman's Fund investment dispute. Emboff subsequently passed copies of the letters to them to share with Leycegui. With regard to the longstanding pending applications for accreditation in Mexico of U.S. certification organizations (UL, Intertek), Smith said Leycegui had been fully briefed and was committed to a speedy resolution, something the outgoing Fox Administration had hoped, but failed, to accomplish. Smith said Leycegui plans to discuss the issue soon with her fellow Sub-Secretary Arce, who is responsible for such certifications. It was Smith's understanding that Economy Secretariat lawyers were finalizing a legal opinion that would side-step resistance from Mexican private organizations that were holding up the process.

14. (SBU) Smith and Saenz then raised the following issues of concern to them: 1) Mexico hopes to get the necessary USDA certification to allow Mexican poultry from a processing plant in Yucatan to be exported to the U.S. (Embassy Ag MinCouns noted that USDA cannot act until the Mexican ag authorities certify the plant); 2) Mexico would like to talk with us about sugar policy in light of the fact that our respective markets will be integrated when the final barriers to sugar trade among the NAFTA economies are removed on January 1, 2008; 3) Mexico is interested in discussing NAFTA

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export subsidy provisions in light of Doha round developments and in the hopes of avoiding pressure to lodge anti-dumping cases against U.S. exports of sensitive agricultural products like beans and milk; and 3) Mexico is very interested in the ongoing U.S. litigation over imports of Mexican tuna and would like to be informed as quickly as possible of any new developments that might require a Mexican response (Embassy Commercial MinCouns agreed to provide an update).

Venezuela Trade Feelers Get No Response

15. (SBU) Commenting on recent press reports that Mexico was interested in negotiating a new trade agreement with Venezuela to replace the G-3 accord from which Chavez withdrew last year, Smith said that, despite some optimistic interventions from the Venezuelan Embassy here, there appeared to be no interest in talks, at least yet, back in Caracas. Mexico and Venezuela are not big trade partners, but Smith and Saenz noted that bilateral trade is important for several niche industries (like steel and auto parts) in both countries.

Still No Position on P4P/SPP Alphabet Soup

16. (SBU) When asked about the future of the Partnership for Prosperity (P4P), Smith asked whether the U.S. believed that it had effectively been assimilated into the trilateral Security and Prosperity Partnership (SPP) framework. Smith said there was still no official Mexican position, as the Office of the Presidency had not yet had time to focus on these initiatives. He predicted that the upcoming SPP

ministerial and leaders meetings in February and June, respectively, would force the bureaucracies in all three North American countries to decide how to take these forward.

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